

**A Comparative Study of Financial Performance of Urban Cooperative Banks in Bidar, Karnataka**

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**Abstract:** The cooperative movement has been a big boon for the financially less privileged. With a valid banking license from the Reserve Bank of India, cooperative institutions-turned-banks have catered to the needs of such segment of the society that requires financing in small amounts. The state of Karnataka has about Rs. 35000 Crores worth of deposits for 2017 with Urban Cooperative Banks. These banks have spread their wings far and wide throughout the state, and is widely popular among its populace. Bidar is located in the north-eastern part of Karnataka. It acts as a link between Hyderabad and the Marathwada region of Maharashtra, notably Aurangabad. Its closer proximity to Hyderabad on one side and Maharashtra on the other makes it ideal for future development. Little is known about Bidar's contribution to the cooperative activities. An analysis is being made on the performance of Urban Cooperative Banks based in Bidar district using certain specific financial attributes.

**Keywords**-Urban Cooperative Banks, financial performance, predictions, Bidar, Karnataka

**INTRODUCTION**

Karnataka has been a key contributor in the cooperative space. While the erstwhile Madras presidency can claim credit for the start of the cooperative movement, Karnataka has led from the front in its promotion in the south of the Vindhyas. Cooperative institutions have become increasingly popular in urban centres vis-à-vis rural areas. Empowered with a banking license from the Reserve Bank of India, many cooperative institutions have upgraded themselves into cooperative banks, and have been rendering yeoman service to the society.

According to National Federation Of Urban Cooperative Banks & Credit Societies Ltd (NAFCUB), New Delhi, two-third of total of over 1500 Urban Cooperative Banks are concentrated in three Indian states – Maharashtra, Karnataka and Gujarat. Bidar is situated in the north-eastern corner of Karnataka. This region of the state is called as "Ishanya Karnataka" with its main base at Gulbarga. Bidar is located about 150 kms from Hyderabad and 700 kms from Bangalore. It is more popular as a heritage town, hosting a plethora of archeological sites of the Bahmani and Adil Shahi dynasties. Prior to its becoming a part of the erstwhile Mysore state, Bidar was under the rule of the Nizams of Hyderabad.

Bidar district comprises of five taluks – Bidar, Aurad, Bhalki, Basavakalyan and Humnabad. Little is known about the economic contribution of Bidar. Apart from a few pharmaceutical companies having their manufacturing units, Bidar has made hardly any significant economic contribution to the State's GDP. There are a total of four Urban Cooperative Banks in Bidar district with a total deposit base of Rs. 153 crores and credit disbursed worth Rs. 90 crores.

**REVIEW OF LITERATURE**

(Seibel, 2009) mentioned about the inclusive finance adopted by Bidar District Central Cooperative Bank. This bank has been funding agricultural activities through Primary Agricultural Cooperative Societies in the district. It reached the unbanked through Self-Help Groups, implementing NABARD's SHG Banking Program.

(Kumar & Reddy, 2015) has assessed the impact of Self-Help Groups on its beneficiaries in Bidar district. These SHGs function on the basis of cooperation, following the principles of cooperatives. These SHGs have been successful in empowering women through greater participation that has tremendously increased their economic status.

In the assessment of District Central Cooperative Banks in Haryana by (Ruchi, 2017), these banks are fairly profitable based on the three parameters – Return on Investment, Return on Net Worth and Return on Business. Faridabad District Central Cooperative Bank emerged as the best performer on all the three counts while Jind Central Cooperative Bank adorned the bottom of the performance table.

(Raju, 2018) concluded that the Urban Cooperative Banks have been performing better on an all-India basis while assessing their overall profitability. However, these banks face tremendous challenges in terms of

resource mobilization to meet RBI norms. A quarter of all the Urban Cooperative Banks fall in the high rated category as per the CAMEL model.

#### OBJECTIVES

The following are the objectives of the study:

- To understand the relationship between investments and credit of the four Urban Cooperative Banks in Bidar.
- To ascertain the membership contribution towards share capital.
- To understand the relationship between membership and deposits netted by these banks.
- To assess the performance relationship between banks' deposits and credit offered by all the four Urban Cooperative Banks at Bidar..

#### SCOPE

The following is the scope:

Only Urban Cooperative Banks based out of Bidar district in Karnataka is considered.

The following banks are chosen for the analysis:

Bidar Mahila Urban Co-op Bank Ltd. Bidar

Gandhi Gunj Co-op Bank Ltd, Bidar

Manjra Mahila Cooperativ Bank, Bidar

Urban Co-op Bank Ltd, Bhalki

The results only for the three financial years – 2014-15, 2015-16 & 2016-17 are considered.

#### LIMITATIONS

The following are the limitations of this study:

The banks used for analysis are Bidar-based only. Therefore, the outcome of the study may not be applicable to districts other than Bidar.

Only Urban Cooperative Banks are selected. Rural Cooperative Banks and other forms of commercial banks have not been considered.

The results of only three financial years i.e. 2014-15, 2015-16 & 2016-17 are being analyzed. The outcome may not be applicable to other financial years.

#### HYPOTHESIS

$H_0^1$ : There is no significant relationship between investments made and credit offered by the four Bidar-based Urban Cooperative Banks.

$H_0^2$ : There is no significant relationship between membership and the banks' share capital.

$H_0^3$ : There is no significant relationship between membership and deposits by these banks.

$H_0^4$ : There is no significant difference in the relationship between credit and deposits of all the four Bidar-based Urban Cooperative banks.

#### ANALYSIS & INTERPRETATION

Performance comparison is undertaken on the four Bidar-based Urban Cooperative Banks. It is noteworthy that all the four banks are unit banks.

S. No	Bank	No. of Members	Share Capital (Rs. In Lakhs)	Deposits (Rs. In Lakhs)	Credit (Rs. In Lakhs)	Investments (Rs. In Lakhs)
1	Bidar Mahila Urban Co-op Bank Ltd(Mahila) Bidar	2892	38.66	581.28	253.49	337.43
2	Gandhi Gunj Co-op Bank Ltd, Bidar	8114	279.98	11524.93	6594.58	5121.80
3	Manjra Mahila CB (Mahila) Bidar	3636	51.58	2116.66	1358.61	911.52
4	Urban Co-op Bank Ltd , Bhalki	4173	43.50	1146.34	852.93	448.46

Table 1: Annual Results 2016-17.

Source: The Karnataka State Cooperative Urban Banks Federation Ltd., Bangalore.

S. No	Bank	No. of Members	Share Capital (Rs. In Lakhs)	Deposits (Rs. In Lakhs)	Credit (Rs. In Lakhs)	Investments (Rs. In Lakhs)
1	Bidar Mahila Urban Co-op Bank Ltd(Mahila) Bidar	2929	39.33	615.20	310.53	338.41
2	Gandhi Gunj Co-op Bank Ltd,Bidar	8013	245.22	10238.04	6301.92	4371.67
3	Manjra Mahila CB (Mahila) Bidar	3430	47.30	1986.32	1161.23	792.41
4	Urban Co-op Bank Ltd , Bhalki	4158	42.34	1185.14	896.31	343.33

Table 2: Annual Results 2015-16.

Source: The Karnataka State Cooperative Urban Banks Federation Ltd., Bangalore.

S. No	Bank	No. of Members	Share Capital (Rs. In Lakhs)	Deposits (Rs. In Lakhs)	Credit (Rs. In Lakhs)	Investments (Rs. In Lakhs)
1	Bidar Mahila Urban Co-op Bank Ltd(Mahila) Bidar	2975	39.74	629.97	345.67	332.30
2	Gandhi Gunj Co-op Bank Ltd,Bidar	7918	219.79	9863.14	5528.84	5013.16
3	Manjra Mahila CB (Mahila) Bidar	3207	41.46	1642.90	1005.50	587.70
4	Urban Co-op Bank Ltd , Bhalki	4138	41.18	1164.61	835.31	347.22

Table 3: Annual Results 2014-15.

Source: The Karnataka State Cooperative Urban Banks Federation Ltd., Bangalore.

*Investment-Credit Ratio*

This ratio is computed to assess the priority of investments over credit.

$$\text{Investment-Credit Ratio} = \text{Total Investments} / \text{Total Credit Disbursed}$$

Investment-Credit Ratio	Bidar Mahila Urban Co-op Bank Ltd(Mahila) Bidar	Gandhi Gunj Co-op Bank Ltd,Bidar	Manjra Mahila CB (Mahila) Bidar	Urban Co-op Bank Ltd , Bhalki
31.03.2017	1.33	0.78	0.67	0.53
31.03.2016	1.09	0.69	0.68	0.38
31.03.2015	0.96	0.91	0.58	0.42

Mean	1.13	0.79	0.64	0.44
Standard Deviation	0.19	0.11	0.06	0.08
Coefficient of Variation	16.66	13.94	8.56	17.52

Anova: Single Factor

#### SUMMARY

Groups	Count	Sum	Average	Variance
Column 1	3	3.38	1.126667	0.035233
Column 2	3	2.38	0.793333	0.012233
Column 3	3	1.93	0.643333	0.003033
Column 4	3	1.33	0.443333	0.006033

#### ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.7475	3	0.249167	17.62972	0.000694	4.066181
Within Groups	0.113067	8	0.014133			
Total	0.860567	11				

Table 4: Investment-Credit Ratio.

#### Share Capital-Membership Ratio

This ratio indicates the share capital of the bank on a per-member basis. This ratio is arrived due to the cooperative principle “one member = one vote”.

Share Capital-Membership Ratio = Share Capital/No. of Members

Share Capital-Membership Ratio	Bidar Mahila Urban Co-op Bank Ltd(Mahila) Bidar	Gandhi Gunj Co-op Bank Ltd,Bidar	Manjra Mahila CB (Mahila) Bidar	Urban Co-op Bank Ltd , Bhalki
31.03.2017	0.01	0.03	0.01	0.01
31.03.2016	0.01	0.03	0.01	0.01
31.03.2015	0.01	0.03	0.01	0.01
Mean	0.01	0.03	0.01	0.01
Standard Deviation	0.00	0.00	0.00	0.00
Coefficient of Variation	0.00	0.00	0.00	0.00

Table 5: Share Capital-Membership Ratio.

#### Deposit-Member Ratio

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This ratio indicates the deposits held by the bank, with respect to the total members.

Deposit-Member Ratio = Total Deposits/Total No. of Members

Deposit-Member Ratio	Bidar Mahila Urban Co-op Bank Ltd(Mahila) Bidar	Gandhi Gunj Co-op Bank Ltd,Bidar	Manjra Mahila CB (Mahila) Bidar	Urban Co-op Bank Ltd , Bhalki
31.03.2017	0.20	1.42	0.58	0.27
31.03.2016	0.21	1.28	0.58	0.29
31.03.2015	0.21	1.25	0.51	0.28
Mean	0.21	1.32	0.56	0.28
Standard Deviation	0.01	0.09	0.04	0.01
Coefficient of Variation	2.79	6.89	7.26	3.57

Anova: Single Factor

#### SUMMARY

Groups	Count	Sum	Average	Variance
Column 1	3	0.62	0.206667	3.33E-05
Column 2	3	3.95	1.316667	0.008233
Column 3	3	1.67	0.556667	0.001633
Column 4	3	0.84	0.28	1E-04

#### ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	2.3166	3	0.7722	308.88	1.32E-08	4.066181
Within Groups	0.02	8	0.0025			
Total	2.3366	11				

Table 6: Deposit-Member Ratio.

#### Credit-Deposit Ratio

This ratio indicates the extent of deposits loaned.

Credit-Deposit Ratio = Credit/Deposit

Deposit-Member Ratio	Bidar Mahila Urban Co-op Bank Ltd(Mahila) Bidar	Gandhi Gunj Co-op Bank Ltd,Bidar	Manjra Mahila CB (Mahila) Bidar	Urban Co-op Bank Ltd , Bhalki

31.03.2017	0.44	0.57	0.64	0.74
31.03.2016	0.50	0.62	0.58	0.76
31.03.2015	0.55	0.56	0.61	0.72
Mean	0.50	0.58	0.61	0.74
Standard Deviation	0.06	0.03	0.03	0.02
Coefficient of Variation	11.09	5.51	4.92	2.70

Anova: Single Factor

#### SUMMARY

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Column 1	3	1.49	0.496667	0.003033
Column 2	3	1.75	0.583333	0.001033
Column 3	3	1.83	0.61	0.0009
Column 4	3	2.22	0.74	0.0004

#### ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	0.091292	3	0.030431	22.68116	0.000288	4.066181
Within Groups	0.010733	8	0.001342			
Total	0.102025	11				

Table 7: Credit-Deposit Ratio.

#### FINDINGS & SUGGESTIONS

##### FINDINGS

Manjara Mahila Cooperative Bank, Bidar, with a standard deviation of 0.06 and coefficient variation of 8.56, is the most consistent in deploying funds between credit and investments.

Bidar Urban Mahila Cooperative Bank, Bidar, with a standard deviation of 0.19 and coefficient of variation of 16.66, has not been consistent in deploying funds between credit and investments.

All the four Urban Cooperative Banks have reported proportional changes in their share capital vis-a-vis the total number of members.

With a standard deviation of 0.01 and a coefficient of variation of 2.79, Bidar Mahila Urban Co-op Bank Ltd(Mahila), Bidar, has the best Membership-Deposit Ratio.

Gandhi Gunj Co-operative Bank, Bidar, with a standard deviation of 0.09, has a higher Membership-Deposit Ratio. However, Manjra Mahila Cooperative Bank, Bidar, is considered volatile due to a higher coefficient of variation of 7.26.

Urban Cooperative Bank, with a standard deviation of 0.02 and a coefficient of variation of 2.70, has the most consistent CD Ratio.

Bidar Mahila Urban Co-op Bank Ltd(Mahila), Bidar, with a standard deviation of 0.06 and a coefficient of variation of 11.09, has the least consistent CD Ratio.

To sum up, the hypothesis table is as follows:

Hypothesis	Decision	Result
$H_0^1$	Null Hypothesis Rejected	There is significant relationship between investments made and credit offered by the four Bidar-based Urban Cooperative Banks.
$H_0^2$	Null Hypothesis Accepted	There is no significant relationship between membership and the banks' share capital.
$H_0^3$	Null Hypothesis Rejected	There is significant relationship between membership and deposits by these banks.
$H_0^4$	Null Hypothesis Rejected	There is significant difference in the relationship between credit and deposits of all the four Bidar-based Urban Cooperative banks.

Table 8: Summary of Hypothesis.

**SUGGESTIONS**

All the banks can strike a balance between credit offered and investments.  
 For better Membership-Share Capital Ratio, banks can initiate a membership drive.  
 The average CD Ratio has been around 60%. These levels can be maintained.

**CONCLUSION**

Each of the four banks has been performing based on one or the other parameter. With hardly any visibility in the district, Urban Cooperative Banks in Bidar have the potential to scale up operations. These banks can focus on improving their performance through better services.

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